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廣東南粵物流股份有限公司
Guangdong Nan Yue Logistics Company Limited*

(A joint stock limited company incorporated in the People's Republic of China with limited liability)

(Stock code: 03399)

ANNOUNCEMENT OF 2009 INTERIM RESULTS

RESULTS AND BUSINESS HIGHLIGHTS:

	For the six months ended		
	30 June 2009	30 June 2008	Change
	<i>RMB'000</i>	<i>RMB'000</i>	
	<i>(unaudited)</i>	<i>(unaudited)</i>	
Revenue	2,550,468	3,643,614	-30%
Profit attributable to equity holders of the Company	22,208	76,572	-71%
Basic earnings per share	RMB0.05	RMB0.18	

- The revenue of the Group for the six months ended 30 June 2009 was approximately RMB2,550,468,000, representing a decrease of approximately RMB1,093,146,000 or 30% as compared to the same period in 2008.
- Profit attributable to equity holders of the Company for the six months ended 30 June 2009 was approximately RMB22,208,000, representing a decrease of approximately RMB54,364,000 or 71% as compared to the same period in 2008.
- As at 30 June 2009, basic earnings per share was RMB0.05.
- The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2009.

The board of directors (the “**Board**”) of Guangdong Nan Yue Logistics Company Limited (the “**Company**”) is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (the “**Group**”) for the six months ended 30 June 2009. The unaudited consolidated interim results of the Group have been reviewed by the audit committee of the Company (the “**Audit Committee**”), comprising a majority of independent non-executive directors of the Company.

The unaudited condensed consolidated interim balance sheet of the Group and the unaudited condensed consolidated interim income statement of the Group and unaudited the condensed consolidated interim statement of comprehensive income and the unaudited condensed consolidated interim statement of changes in equity and the explanatory notes 1 to 9 as presented below are extracted from unaudited condensed consolidated interim financial information of the Group for the six months ended 30 June 2009.

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET

(All amounts in Renminbi Yuan thousands unless otherwise stated)

		As at	
	Note	30 June 2009	31 December 2008
		Unaudited	Audited
ASSETS			
Non-current assets			
Fixed assets		341,580	298,485
Leasehold land and land use rights		149,149	150,790
Intangible assets		179,434	184,050
Investment properties		4,855	4,864
Interests in associates		61,845	65,032
Interest in a joint venture		16,685	16,195
Available-for-sale financial assets		200	200
Deferred income tax assets		40,847	29,750
		794,595	749,366
Current assets			
Inventories		854,478	896,577
Due from customers on construction contracts		174,210	155,558
Trade and other receivables	4	2,140,902	1,854,048
Cash and bank balances		447,495	1,121,054
		3,617,085	4,027,237
Total assets		4,411,680	4,776,603

		As at	
	Note	30 June 2009 <i>Unaudited</i>	31 December 2008 <i>Audited</i>
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital		417,642	417,642
Other reserves		336,323	336,234
Retained earnings		574,919	598,553
		<u>1,328,884</u>	<u>1,352,429</u>
Minority interests		<u>186,025</u>	<u>191,340</u>
Total equity		<u>1,514,909</u>	<u>1,543,769</u>
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		1,170	1,465
Trade and other payables	5	<u>152,133</u>	<u>157,383</u>
		<u>153,303</u>	<u>158,848</u>
Current liabilities			
Trade and other payables	5	2,172,469	2,822,609
Current income tax payable		10,999	31,377
Bank borrowings	6	<u>560,000</u>	<u>220,000</u>
		<u>2,743,468</u>	<u>3,073,986</u>
Total liabilities		<u>2,896,771</u>	<u>3,232,834</u>
Total equity and liabilities		<u>4,411,680</u>	<u>4,776,603</u>
Net current assets		<u>873,617</u>	<u>953,251</u>
Total assets less current liabilities		<u>1,668,212</u>	<u>1,702,617</u>

CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT

(All amounts in Renminbi Yuan thousands unless otherwise stated)

		For the six months ended	
	Note	30 June 2009 <i>Unaudited</i>	30 June 2008 <i>Unaudited</i>
Revenue	3	2,550,468	3,643,614
Cost of sales		(2,277,776)	(3,345,609)
Gross profit		272,692	298,005
Other income		8,861	16,080
Operating expenses		(229,822)	(195,574)
Operating profit		51,731	118,511
Finance costs		(14,664)	(12,824)
Share of results of associates and a joint venture		(2,338)	(708)
Profit before income tax		34,729	104,979
Income tax expense	7	(11,282)	(27,584)
Profit for the period		23,447	77,395
Attributable to:			
Equity holders of the Company		22,208	76,572
Minority interests		1,239	823
		23,447	77,395
Basic earnings per share for profit attributable to the equity holders of the Company (expressed in RMB per share)	8	0.05	0.18
Dividend	9	—	—

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME*(All amounts in Renminbi Yuan thousands unless otherwise stated)*

	For the	
	six months ended	
	30 June	30 June
	2009	2008
	<i>Unaudited</i>	<i>Unaudited</i>
Profit for the period	23,447	77,395
Other comprehensive income:		
Revaluation gain on investment properties	—	4,181
Exchange differences	(420)	(13,392)
Total comprehensive income for the period	23,027	68,184
Total comprehensive income attributable to:		
Equity holders of the Company	21,978	71,073
Minority interests	1,049	(2,889)
	23,027	68,184

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

(All amounts in Renminbi Yuan thousands unless otherwise stated)

	Note	Attributable to equity holders of the Company				Minority interests	Total equity
		Share capital	Other reserves	Retained earnings	Total		
		Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited
Balance at 1 January 2008		417,642	324,498	513,028	1,255,168	181,989	1,437,157
Total comprehensive income for the period ended 30 June 2008		—	(5,499)	76,572	71,073	(2,889)	68,184
Dividend		—	—	(47,194)	(47,194)	—	(47,194)
Dividend payable to minority shareholders		—	—	—	—	(6,014)	(6,014)
Appropriation from retained earnings		—	622	(622)	—	—	—
Capital contributions from minority shareholders		—	—	—	—	972	972
Balance at 30 June 2008		<u>417,642</u>	<u>319,621</u>	<u>541,784</u>	<u>1,279,047</u>	<u>174,058</u>	<u>1,453,105</u>
Balance at 1 January 2009		417,642	336,234	598,553	1,352,429	191,340	1,543,769
Total comprehensive income for the period ended 30 June 2009		—	(230)	22,208	21,978	1,049	23,027
Dividend	9	—	—	(45,523)	(45,523)	—	(45,523)
Dividend payable to minority shareholders		—	—	—	—	(6,364)	(6,364)
Appropriation from retained earnings		—	319	(319)	—	—	—
Balance at 30 June 2009		<u>417,642</u>	<u>336,323</u>	<u>574,919</u>	<u>1,328,884</u>	<u>186,025</u>	<u>1,514,909</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(All amounts in Renminbi Yuan thousands unless otherwise stated)

1. Basis of preparation

This condensed consolidated interim financial information for the six months ended 30 June 2009 has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34, ‘Interim Financial Reporting’. The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2008, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”).

2. Accounting policies

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2008, as described in those annual financial statements.

Taxes on income in the interim periods are accrued using the tax rates that would be applicable to expected annual earnings.

- (a) New standards and amendments to standards effective for the financial year beginning 1 January 2009 and relevant to the Group’s operations

- HKAS 1 (Revised), ‘Presentation of financial statements’.

Entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income).

The Group has elected to present two statements: an income statement and a statement of comprehensive income. The interim financial statements have been prepared under the revised disclosure requirements.

- HKFRS 8, ‘Operating segments’. HKFRS 8 replaces HKAS 14, ‘Segment reporting’. It requires a ‘management approach’ under which segment information is presented on the same basis as that used for internal reporting purposes. Operating segments are reported in a manner consistent with the internal reporting.
- Amendment to HKFRS 7, ‘Financial instruments: disclosures’. The amendment increases the disclosure requirements about fair value measurement and amends the disclosure about liquidity risk. The amendment introduces a three-level hierarchy for fair value measurement disclosures about financial instruments and requires some specific quantitative disclosures for those instruments classified in the lowest level in the hierarchy. These disclosures will help to improve comparability between entities about the effects of fair value measurements. In addition, the amendment clarifies and enhances the existing requirements for the disclosure of liquidity risk primarily requiring a separate liquidity risk analysis for derivative and non-derivative financial liabilities. It also requires a maturity analysis for financial assets where the information is needed to understand the nature and context of liquidity risk. The Group will make additional relevant disclosures in its financial statements ending 31 December 2009.

- Improvements to HKFRS by Hong Kong Institute of Certified Public Accountants (“HKICPA”)
 - HKAS 1 (Amendment), ‘Presentation of financial statements’.
 - HKAS 23 (Amendment), ‘Borrowing costs’.
 - HKAS 28 (Amendment), ‘Investments in associates’ (and consequential amendments to HKAS 32, ‘Financial Instruments: Presentation’ and HKFRS 7, ‘Financial instruments: Disclosures’).
 - HKAS 36 (Amendment), ‘Impairment of assets’.
- (b) **New interpretations and amendments to standards effective for financial year beginning 1 January 2009 but not relevant to the Group’s operations**
 - HKAS 23 (Revised), ‘Borrowing costs’.
 - HKAS 32 (Amendment), ‘Financial instruments: Presentation’, and HKAS 1 (Amendment), ‘Presentation of financial statements’ ‘Puttable financial instruments and obligations arising on liquidation’.
 - HKFRS 2 (Amendment), ‘Share-based payment’.
 - HK(IFRIC) Int 9 (Amendment), ‘Reassessment of embedded derivatives’ and HKAS 39 (Amendment), ‘Financial instruments: Recognition and measurement’.
 - HK(IFRIC) Int 13, ‘Customer loyalty programmes’.
 - HK(IFRIC) Int 15, ‘Agreements for the construction of real estate’.
 - HK(IFRIC) Int 16, ‘Hedges of a net investment in a foreign operation’.
 - HKAS 39 (Amendment), ‘Financial instruments: Recognition and measurement’.
 - HKICPA’s improvements to HKFRS
 - HKAS 16 (Amendment), ‘Property, plant and equipment’ (and consequential amendment to HKAS 7, ‘Statement of cash flows’).
 - HKAS 19 (Amendment), ‘Employee benefits’.
 - HKAS 20 (Amendment), ‘Accounting for government grants and disclosure of government assistance’.
 - HKAS 27 (Amendment), ‘Consolidated and separate financial statements’.
 - HKAS 28 (Amendment), ‘Investments in associates’ (and consequential amendments to HKAS 32, ‘Financial Instruments: Presentation’ and HKFRS 7, ‘Financial instruments: Disclosures’).
 - HKAS 29 (Amendment), ‘Financial reporting in hyperinflationary economies’.
 - HKAS 31 (Amendment), ‘Interests in joint ventures (and consequential amendments to HKAS 32 and HKFRS 7)’.
 - HKAS 38 (Amendment), ‘Intangible assets’.
 - HKAS 39 (Amendment), ‘Financial instruments: Recognition and measurement’.
 - HKAS 40 (Amendment), ‘Investment property’ (and consequential amendments to HKAS 16).
 - HKAS 41 (Amendment), ‘Agriculture’.

3. Segment information

The Group's management reviews the Group's internal reporting in order to assess performance and allocate resources. The Group's internal reporting is measured in a manner consistent with that in the financial statements.

Considering different nature of business, the Board identifies five operating segments of Material logistics services, Expressway service zones, Transportation intelligence services, Cross-border transportation services and Tai Ping Interchange. Each operating segment provides different products/services.

Total assets exclude deferred income tax assets and available-for-sale financial assets.

	Material logistics services	Expressway service zones	Transportation intelligence services	Cross-border transportation services	Tai Ping Interchange	Unallocated	Group
Six months ended 30 June 2009							
Total revenue	1,958,220	192,826	244,290	119,827	51,855	—	2,567,018
Inter-segment revenue	(15,444)	—	(1,106)	—	—	—	(16,550)
Revenue (from external customers)	1,942,776	192,826	243,184	119,827	51,855	—	2,550,468
Operating profit/(loss)	539	21,284	(5,592)	10,180	42,256	(16,936)	51,731
Depreciation and amortisation	(4,556)	(11,588)	(2,344)	(13,119)	(4,937)	(2,228)	(38,772)
(Impairment losses)/reversal of impairment losses	(35,987)	—	642	—	—	—	(35,345)
Share of results of associates and a joint venture	—	102	(1,614)	(143)	—	(683)	(2,338)
Deferred taxation/(income tax expense)	4,782	(6,929)	976	(905)	(10,534)	1,328	(11,282)
Six months ended 30 June 2008							
Total revenue	3,143,253	184,132	134,819	120,872	68,514	—	3,651,590
Inter-segment revenue	(6,344)	(89)	(1,543)	—	—	—	(7,976)
Revenue (from external customers)	3,136,909	184,043	133,276	120,872	68,514	—	3,643,614
Operating profit/(loss)	65,553	14,462	(15,849)	17,438	56,972	(20,065)	118,511
Depreciation and amortisation	(5,043)	(10,394)	(2,579)	(13,276)	(4,800)	(2,363)	(38,455)
(Impairment losses)/reversal of impairment losses	(5,649)	—	—	388	—	—	(5,261)
Share of results of associates and a joint venture	—	49	(895)	507	—	(369)	(708)
(Income tax expense)/deferred taxation	(12,094)	(4,584)	1,657	(1,562)	(14,453)	3,452	(27,584)

	Material logistics services	Expressway service zones	Transportation intelligence services	Cross-border transportation services	Tai Ping Interchange	Unallocated	Total
As at 30 June 2009							
Total segment assets	<u>2,739,916</u>	<u>311,706</u>	<u>645,760</u>	<u>311,968</u>	<u>281,447</u>	<u>79,836</u>	<u>4,370,633</u>
Total segment assets include:							
Interests in associates	—	11,311	3,161	28,671	—	18,702	61,845
Interest in a joint venture	—	—	—	—	—	16,685	16,685
Additions to non-current assets (other than financial instruments and deferred income tax assets)	<u>37,548</u>	<u>12,915</u>	<u>1,280</u>	<u>12,483</u>	<u>1,432</u>	<u>13,259</u>	<u>78,917</u>
As at 31 December 2008							
Total segment assets	<u>3,053,577</u>	<u>385,952</u>	<u>635,153</u>	<u>326,093</u>	<u>267,853</u>	<u>78,025</u>	<u>4,746,653</u>
Total segment assets include:							
Interests in associates	—	11,489	4,775	28,815	—	19,953	65,032
Interest in a joint venture	—	—	—	—	—	16,195	16,195
Additions to non-current assets (other than financial instruments and deferred income tax assets)	<u>7,099</u>	<u>46,449</u>	<u>3,492</u>	<u>43,149</u>	<u>27,354</u>	<u>1,958</u>	<u>129,501</u>

Segments assets are reconciled to total assets as follows:

	As at	
	30 June 2009	31 December 2008
Total segment assets	4,370,633	4,746,653
Deferred income tax assets	40,847	29,750
Available-for-sale financial assets	200	200
Total assets per balance sheet	<u>4,411,680</u>	<u>4,776,603</u>

Except for certain revenue from the cross-border transportation services, which are operated in Hong Kong, all of the Group's other business are operated in Mainland China.

	For the six months ended	
	30 June 2009	30 June 2008
Revenue		
Mainland China	2,457,638	3,548,782
Hong Kong	<u>92,830</u>	<u>94,832</u>
	<u>2,550,468</u>	<u>3,643,614</u>

Total of non-current assets are located as follows:

	As at	
	30 June 2009	31 December 2008
Mainland China	622,023	588,956
Hong Kong	131,525	130,460
	<u>753,548</u>	<u>719,416</u>
Deferred income tax assets	40,847	29,750
Available-for-sale financial assets	200	200
Total non-current assets per balance sheet	<u>794,595</u>	<u>749,366</u>

4. Trade and other receivables

	As at	
	30 June 2009	31 December 2008
Trade receivables (note a)	680,499	524,790
Less: provision for impairment of receivables	(42,145)	(22,213)
	<u>638,354</u>	<u>502,577</u>
Trade receivables – net	638,354	502,577
Bills receivable	1,090	17,529
Other receivables	154,709	105,467
Prepayments	950,168	1,050,314
Due from related parties (note b)	396,581	178,161
	<u>2,140,902</u>	<u>1,854,048</u>

The carrying amounts of trade and other receivables approximate to their fair value.

The various Group companies have different credit policy, dependent on the requirements of their markets and the business in which they operate. For material logistics services business and transportation intelligence services business, certain percentage of the trade receivables is retained by customers as quality assurance and is repaid upon finalisation of the relevant construction projects.

At 30 June 2009 and 31 December 2008, the ageing analysis of the trade receivables were as follows:

(a) **Trade receivables**

	As at	
	30 June 2009	31 December 2008
Less than 3 months	463,013	398,860
Within 3 months to 6 months	71,033	22,131
Within 6 months to 1 year	65,462	11,037
Within 1 year to 2 years	43,584	48,893
Within 2 years to 3 years	5,470	38,761
Over 3 years	31,937	5,108
	680,499	524,790

(b) **Due from related parties**

	As at	
	30 June 2009	31 December 2008
Trade receivables	368,762	151,342
Less: provision for impairment of receivables	(9,089)	(8,498)
Trade receivables – net	359,673	142,844
Other receivables	19,609	20,857
Less: provision for impairment of receivables	(1,351)	(2,213)
Other receivables – net	18,258	18,644
Prepayments	18,650	16,673
	396,581	178,161

The ageing analysis of trade receivables from related parties are as follows:

	As at	
	30 June 2009	31 December 2008
Less than 3 months	283,410	94,700
Within 3 months to 6 months	19,157	7,970
Within 6 months to 1 year	41,196	11,421
Within 1 year to 2 years	6,734	12,126
Within 2 years to 3 years	9,180	15,371
Over 3 years	9,085	9,754
	368,762	151,342

5. Trade and other payables

	As at	
	30 June 2009	31 December 2008
Trade payables (note a)	544,027	498,539
Bills payable	1,067,089	1,618,070
Advance from customers	342,136	332,910
Accrued expenses and other payables	272,522	243,052
Due to related parties (note b)	98,828	287,421
	<u>2,324,602</u>	<u>2,979,992</u>
Less: Non-current portion	(152,133)	(157,383)
	<u>2,172,469</u>	<u>2,822,609</u>

(a) Trade payables

	As at	
	30 June 2009	31 December 2008
Less than 3 months	456,911	439,635
Within 3 months to 6 months	20,657	8,065
Within 6 months to 1 year	35,418	17,243
Within 1 year to 2 years	11,122	13,083
Within 2 years to 3 years	6,133	3,706
Over 3 years	13,786	16,807
	<u>544,027</u>	<u>498,539</u>

(b) Due to related parties

	As at	
	30 June 2009	31 December 2008
Trade payables	77,184	61,314
Advance from customers	16,367	221,487
Other payables	5,277	4,620
	<u>98,828</u>	<u>287,421</u>

The ageing analysis of trade payables to related parties are as follows:

	As at	
	30 June 2009	31 December 2008
Less than 3 months	17,903	15,835
Within 3 months to 6 months	11,408	4,821
Within 6 months to 1 year	17,191	14,688
Within 1 year to 2 years	19,337	13,729
Within 2 years to 3 years	8,881	6,690
Over 3 years	2,464	5,551
	<u>77,184</u>	<u>61,314</u>

6. Bank borrowings

	As at	
	30 June 2009	31 December 2008
Current bank borrowings:		
– Unsecured	<u>560,000</u>	<u>220,000</u>

All of the Group's bank borrowings are denominated in RMB and are at floating rates.

The weighted average effective interest rates at 30 June 2009 was 4.409% (31 December 2008: 5.913%) per annum.

As at 30 June 2009 and 31 December 2008, the Group has the following undrawn banking facilities:

	As at	
	30 June 2009	31 December 2008
Floating rate		
– expiring within one year	<u>2,931,804</u>	<u>2,048,522</u>

7. Income tax expense

Except for three subsidiaries as mentioned below, all the other group's subsidiaries incorporated in mainland China are subject to Mainland China Corporate Income Tax ("CIT"), which has been calculated on the estimated assessable profit for the period at a rate of 25%. Of the three subsidiaries, two of which are regarded as New-High Technology Enterprise by the relevant government authorities and are subject to CIT at a rate of 15%, and one of which is located in Shenzhen Special Economic Zone and is subject to a preferential tax rate of 20% (2008:18%).

As approved by the relevant tax authorities, one of the subsidiaries in Chongqing was entitled to 50% CIT reduction for the period (2008: 50% CIT reduction). Such beneficial treatments were granted to newly incorporated companies under the relevant tax regulations.

The subsidiaries incorporated in Hong Kong are subject to Hong Kong profits tax, which has been provided on the estimated assessable profit for the period at a rate of 16.5% (2008: 16.5%).

The amount of income tax expense charged to the consolidated income statement represents:

	For the six months ended	
	30 June 2009	30 June 2008
Current income tax		
– Hong Kong profits tax	(92)	—
– Mainland China current CIT	22,766	30,614
Deferred income tax	<u>(11,392)</u>	<u>(3,030)</u>
	<u>11,282</u>	<u>27,584</u>

8. Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the period.

	For the six months ended	
	30 June 2009	30 June 2008
Profit attributable to equity holders of the Company	<u>22,208</u>	<u>76,572</u>
Weighted average number of ordinary shares in issue (thousands)	<u>417,642</u>	<u>417,642</u>
Basic earnings per share (RMB per share)	<u><u>0.05</u></u>	<u><u>0.18</u></u>

No diluted earnings per share was presented as there were no dilutive potential shares during the period.

9. Dividend

A dividend in respect of the year ended 31 December 2008 of RMB0.109 per share, amounting to a total dividend of approximately RMB45,523,000, has been approved at the annual general meeting on 19 June 2009.

The Directors did not recommend the payment of an interim dividend for the six months ended 30 June 2009 (for the six months ended 30 June 2008: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The four main businesses of the Group are:

- (i) material logistics services;
- (ii) expressway service zones;
- (iii) transportation intelligence services; and
- (iv) cross-border transportation services.

Apart from the above businesses, the Group also engaged in the toll collection and operation businesses at the Taiping Interchange in the Guangdong Province, the People's Republic of China (the "PRC").

Material logistics services

In the first quarter of 2009, impacted by global financial crisis, the economy in mainland China slowed down, which resulted in a decline in demand for production materials such as steel, cement and asphalt and in turn caused a continuous decline in material prices. Into the second quarter, the material prices started to increase stably driven by investment in fixed assets and the recovery of domestic economy. Amid such significant fluctuation in material prices, the Group adjusted the structure of its material logistics services by gradually reducing non-project material logistics services in order to reduce operational risk.

The Group was responsible for the material logistics business for ten expressway projects such as Guang-He Expressway, Yun-Wu Expressway, and expansion of Fo-Kai Expressway within Guangdong Provincial Communication Group Co., Ltd. ("GCGC") and also provided material logistics services to large infrastructure projects such as Guangzhou-Shenzhen-Hong Kong Railway, the Guangzhou subway Routes 4, 5 and 6, Wu-Guang Railway and the Guang-Zhu inter-city rail transportation. In the first half of 2009, the Group supplied a total of 417,000 tones of steel, 959,500 tones of cement and 34,000 tones of asphalt.

The Group is currently actively pushing forward the construction of logistics infrastructure. The Dongguan Asphalt Warehouse has been completed and will be operated in the second half of the year, and the ancillary dock for the asphalt warehouse is planned to commence construction in the second half of the year, which will increase the strength of the Group in the operation of logistics business.

In the first half of the year, the Group achieved relatively rapid development in respect of its asphalt logistics business, and provided asphalt logistics services for six projects such as Daguangbei Expressway in Hubei, Hurongxi Expressway in Hubei and Shenshanxi Expressway in Guangdong. The Group, through cooperation with Central South University, accelerated its development in the market for new materials and won the bid to supply emulsified asphalt cement mortar for the Guangzhou-Zhuhai inter-city rail transport project and the Guangzhou-Shenzhen-Hong Kong High Speed Railway.

During the first half of 2009, the price of materials fluctuated significantly. Due to such impact, some of the steel suppliers failed to deliver steel to the Group as scheduled, which exposed the Group to risk of that prepayment. In addition, the Group provided coal logistics services to the cement producers which experienced operational difficulties, it exposed us to the credit risk of our trade receivables. The Group made provisions for the above-mentioned risks. As at 30 June 2009, the total provisions made by the Group amounted to RMB 35,345,000 in total.

Expressway service zones

In the first half of 2009, the Group maintained steady growth by actively expanding operation network resources of service zones, innovating operation method, focusing in expanding markets and businesses, and increasing efforts in attracting business.

The Group strengthened the integration of network resources in service zones, created new operation philosophy, streamlined the management on assets for operations in service zones, and adjusted and realigned commercial deployment for Yangjiang Service Zone and Liangjinshan Service Zone in order to take advantage of resources in order to improve profitability.

The Group put efforts to service zones business development in respect of food and beverage, and merchandise retail projects. The Group realised the plan of investment solicitation in respect of food and beverage projects in Reshui and Zhongxin Service Zones, and analyzed and structured the overall investment solicitation for 8 pairs of service zones such as Doumen service zone, which attributed to significantly increased revenue and gross profit margin of investment solicitation. In the first half of the year, service zones which conducted overall investment solicitation amounted to 13.5 pairs, while food and beverage projects which conducted investment solicitation amounted to 45.

The Group strengthened the marketing of service zones, formulated marketing and sales plans, adopted membership program to provide discounts to members and adjusted prices by categories through promotion to strengthen long-term and stable client base.

The Group shortened the cycle of confirming sub-contracting fees and extra revenue share of petrol stations, which in turn strengthened the recovery of the receivables and drove the stable development of petrol stations network business.

The Group continued to promote sizeable operation of advertising, enhanced the recovery of advertising resources and the construction of posts, speeded up the construction of expressway advertising networks. Currently, the Group has 384 posts in 14 sections of expressways. At the same time, the Group broadened operation philosophy, created innovative marketing model, strengthened marketing and strived to improve economies of scale.

Transportation intelligence services

In the first half of 2009, the Group put efforts to expand into domestic markets in provinces such as Guangdong, Guizhou, Sichuan, Gansu and Guangxi by actively participated in tenders in such markets and successfully bid for 9 large-scale projects with a total bid of approximately RMB500 million, each with a bid price of over RMB 10 million.

The Group implemented the electromechanical and safety facilities projects pursuant to the requirements provided in the contracts in respect of Duwen Expressway in Sichuan province, South Central Expressway in Guizhou province, Baotian Expressway in Gansu province and Suiyuan Expressway in Hubei province, among which the Group completed the construction of Duwen project in Sichuan province, which was contracted for 14-months, in two months through actively allocating labour, and ensured that the Expressway was in full operation Duwen before 12 May.

The Group enhanced its technological research and development capability, strengthened the research and development of high-end software and hardware products. Significant progress was achieved in research and development in respect of toll collection software unification, electrical and mechanical system maintenance information platform, networking monitoring system platform, key hardware products upgrade promotions such as portable toll collection devices and fully automated toll collection devices. Furthermore, quality of the products is the leader in the industry. With the strength in technology research and development as support, the Group promoted the use of new technologies, projects currently being implemented, including Jinghua in Beijing, Anshao project in Hunan province, Hangrui project in Hubei province and Guangle project in Guangdong province, and projects which were successful in the bids, including traffic flow detecting project in Guangdong province, Guangzhou BRT monitoring project, Ministry of Transport highway infrastructure market confidence and special surveillance system, and the technological application co-operation with transportation system in Guangxin province achieved significant progress.

The Group strengthened study on industrial topics and submitted various research topics to Guangdong Scientific and Technological Bureau and Guangdong Transportation Bureau, which further enhance its scientific research capabilities, including “Public Supporting Platform for Operation and Maintenance of Expressway Electromechanical System” (高速公路機電系統運維公共支撐平台), “Critical Technologies for Video Image Transmission Via Wireless Laser Communication Research” (利用無線激光通信傳輸視頻圖像關鍵技術研究), “Management System for Operation and Maintenance of Expressway IC Card” (高速公路IC卡運維管理系統) and “Development of Wireless Intelligent Traffic Information Monitor suitable to be powered by Solar Energy and Study on its Critical Technologies ” (適用太陽能供電的無線智能交通信息監測設備研製及關鍵技術研究).

The Group also actively developed expressway electromechanical maintenance projects and entered into the maintenance contracts for expressway sections such as Zhanyu, Maozhan, Xintai, Yangmao, Kaiyang, Jingzhubei, Guangqing, Huihe, Yuegan, Shanfen and Jiepu. Furthermore, through combining maintenance of individual areas and regions, the maintenance cost was lowered, which was more economical.

Cross-border transportation services

In the first half of 2009, the cross-border transportation business of the Group experienced great operational difficulties due to the impacts from the financial tsunami and Influenza A (H1N1). At the same time, the impact from the commencement of operation of Lok Ma Chau spur line on our high-speed routes remained significant, and the market competition became more intense. Under such circumstances, the Group adopted various measures to achieve a stable development for its cross-border transportation business.

The Group paid emphasis on transportation during festivals and holidays. Despite its limited transport capacity, through maximising the utilisation of existing vehicles, scheduling more vehicles for busier stops, and making arrangements and coordination, it met the demands of passengers as well as increased the revenue of the Group.

The Group maintained its market share for cross-border passenger transport through starting new routes and increasing the frequency of the transportation runs in accordance with market condition.

In addition, the Group made adjustment to internal management system for its freight business and actively developed new customers accounts, as a result, the percentage of decrease in revenue from its freight business was relatively less as compared with its peers in the industry.

The Group also actively developed its business travelling business and achieved significant growth in such business as compared with the same period last year through increase in marketing and promotion.

Tai Ping Interchange

The Group owned the toll collection right of Tai Ping Interchange. In the first half of 2009, the Group conducted reinforcement and maintenance works for Tai Ping Interchange. Due to such reinforcement and maintenance works and the impact of the financial crisis on the Pearl River Delta region, the toll fee collected from the Tai Ping Interchange for the first half of 2009 decreased by 24.3% as compared to the same period last year.

FINANCIAL REVIEW

TURNOVER

The turnover of the Group mainly derived from four business areas, including from material logistic services, transportation intelligence services, expressway service zones operation and cross-border transportation services between Hong Kong and Guangdong Province, the PRC. Revenue from toll collection business at the Taiping Interchange was also accounted in the turnover of the Group. Turnover of the Group for the six months ended 30 June 2009 amounted to RMB 2,550 million, representing a decrease of 30.0% as compared to the same period in 2008, which amounted to RMB 3,644 million (unless otherwise specified, (1) the amounts stated herein below shall be RMB; (2) the comparative figures shall be the financial information for the six months ended 30 June 2008). Such decrease was mainly attributable to the decrease in the turnover of material logistics services.

Turnover by business segment

	Six months ended 30 June			
	2009		2008	
	<i>RMB'000</i>	<i>Percentage</i>	<i>RMB'000</i>	<i>Percentage</i>
Material logistics services	1,942,776	76.2%	3,136,909	86.1%
Expressway service zones	192,826	7.6%	184,043	5.0%
Transportation intelligence services	243,184	9.5%	133,276	3.7%
Cross-border transportation services	119,827	4.7%	120,872	3.3%
Tai Ping Interchange	51,855	2.0%	68,514	1.9%
Total	<u>2,550,468</u>	<u>100.0%</u>	<u>3,643,614</u>	<u>100.0%</u>

Material logistics service

Material logistics service was the largest source of income of the Group. During the first half of this year, the turnover for the material logistics service of the Group amounted to 1,943 million (2008: 3,137 million), which accounted for 76.2% (2008: 86.1%) of the total turnover of the Group, representing a decrease of 38.1%. Such decrease was mainly attributable to the restructuring of the material logistics services of the Group, by gradually reducing non-project material logistics services in order to reduce operational risk due to significant fluctuation in material prices caused by the global financial crisis.

Expressway service zones

During the first half of this year, the number of service zones of the Group was 46 pairs (2008: 46 pairs). The turnover of expressway service zones of the Group amounted to approximately 193 million (2008: 184 million), which accounted for approximately 7.6% (2008: 5.0%) of the total turnover of the Group, representing an increase of 9 million or 4.8% as compared to the same period in 2008. Such increase was mainly attributable to the increase in the one-off admission fee for petrol stations and revenue from advertisement as compared to last year, partially offset by the decrease in revenue from catering service and convenience stores.

Transportation intelligence services

During the first half of this year, 9.5% (2008: 3.7%) of the total turnover of the Group was derived from transportation intelligence services. The turnover amounted to 240 million (2008: 130 million), representing an increase of 82.5%. Such increase was mainly attributable to the increase in the turnover as a result of acceleration of construction of new projects of the Group such as Du-Wen project in Sichuan as required by the policy of the government to speed up the post-disaster re-construction.

Cross-border transportation services

The turnover from the cross-border transportation services of the Group amounted to 120 million (2008: 121 million) in the first half of this year, which accounted for 4.7% (2008: 3.3%) of the total turnover of the Group, representing a decrease of approximately 0.9% as compared to the same period in 2008. Such decrease was mainly attributable to the decrease in turnover from freight transportation due to the impact of financial crisis in the Pearl River Delta, partially offset by the increase in turnover from passenger transport due to more frequent runs of vehicles and additional new operational routes.

Tai Ping Interchange

During the first half of this year, the turnover of the Group from Tai Ping Interchange amounted to 52 million (2008: 69 million), which accounted for 2% (2008: 1.9%) of the total turnover of the Group, representing a decrease of 24.3% as compared to the same period in 2008. Such decrease was mainly due to the enhancement and repair work for Tai Ping Interchange and the impact of financial crisis on the Pearl River Delta.

GROSS PROFIT

The gross profit of the Group for the first half year of 2009 amounted to 273 million (2008: 298 million), representing a decrease of 25 million or 8.5% as compared to the same period in 2008 due to the decrease in turnover. The gross profit margin of the Group increased from 8.18% of the same period in 2008 to 10.69%.

Gross profit by business segment

	Six months ended 30 June			
	2009		2008	
	<i>RMB'000</i>	<i>Percentage</i>	<i>RMB'000</i>	<i>Percentage</i>
Material logistics services	123,162	45.2%	148,720	49.9%
Expressway service zones	51,188	18.8%	41,843	14.0%
Transportation intelligence services	31,725	11.6%	19,539	6.6%
Cross-border transportation services	22,926	8.4%	27,974	9.4%
Tai Ping Interchange	43,691	16.0%	59,929	20.1%
Total	272,692	100.0%	298,005	100.0%

Material logistics services

In the first half of this year, the gross profit from material logistics services of the Group amounted to 123 million (2008: 149 million), which accounted for 45.2% (2008: 49.9%) of the total gross profit of the Group, representing a decrease of 17.2% as compared to the same period in 2008. The gross profit margin was 6.34% (2008: 4.74%). The decrease in gross profit was mainly attributable to the decrease of turnover. The increase in gross profit margin was resulted from the higher gross profit margin of asphalt business and the cost-cutting measures.

Expressway service zones

In the first half of this year, the gross profit from expressway service zones of the Group amounted to 51 million (2008: 42 million), which accounted for 18.8% (2008: 14.0%) of the total gross profit of the Group. The gross profit margin was 26.55% (2008: 22.74%). The increase in gross profit and gross profit margin was mainly due to the increase in the one-off admission fees for petrol station as compared to the same period last year.

Transportation intelligence services

During the first half of this year, the gross profit from transportation intelligence services of the Group amounted to 32 million (2008: 20 million), which accounted for 11.6% (2008: 6.6%) of the total gross profit of the Group, representing an increase of 12 million or 62.4%. The gross profit margin decreased to 13.05% (2008: 14.66%), which was mainly due to most of the projects being located outside of Guangdong province, which had a lower gross profit margin as the competition and operational cost increased.

Cross-border transportation services

In the first half of this year, the gross profit from cross-border transportation services of the Group amounted to 23 million (2008: 28 million), which accounted for 8.4% (2008: 9.4%) of the total gross profit of the Group, representing a decrease of 18% as compared to the same period in 2008. The gross profit margin was 19.13% (2008: 23.14%), such decrease was mainly attributable to the increase in cost due to the increase in staff and repair expense for vehicles as a result of more frequent runs of vehicles and additional new operational routes.

Tai Ping Interchange

In the first half of this year, the gross profit from Tai Ping Interchange operation of the Group, which accounted for 16% (2008: 20.1%) of the total gross profit of the Group, decreased from 60 million to 44 million, representing a decrease of 27.1%. The gross profit margin was 84.26% (2008: 87.47%), which was decreased as compared to last year was mainly attributable to the decrease in turnover.

Operating expenses

The operating expenses of the Group increased to 230 million (2008: 196 million) for the first half of this year of 2009, representing an increase of 17.51% as compared to the same period in 2008. The increase in operating expenses was mainly attributable to the impairment provision made during this period totalling RMB 35.345 million mainly comprising 14.087 million in relation to the prepayment to steel suppliers and 14.933 million in relation to trade receivables from a cement producer.

Finance Costs

In the first half of this year, finance costs increased to 14.664 million from 12.824 million for the same period in 2008, representing an increase of 14.3%. The increase was mainly attributable to the increase in interest expenses due to increase in bank borrowings of the Group, partially offset by the decrease in discount expenses as a result of the significant fall in the discount rates on bank bills.

LIQUIDITY AND CAPITAL STRUCTURE

As at 30 June 2009, cash and cash equivalent of the Group amounted to 447 million (As at 30 June 2008: 854 million). As at 30 June 2009, balance of bills payable amounted to 1,067 million (As at 30 June 2008: 2,054 million); the net current assets of the Group amounted to 874 million (As at 30 June 2008: 919 million); current ratio of the Group was 1.32 times (As at 30 June 2008: 1.25 times); and interest covering ratio of the Group was 3.4 times (As at 30 June 2008: 9.20 times).

Cash flow

The Group satisfied its requirement for cash in respect of payment of its obligations under contracts, expansion and development of core business and general working capital manily through cash generated from operating activities, bank borrowings and proceeds from issue of shares of the Company.

As at 30 June 2009, cash and cash equivalents (after deducting the effect of the foreign exchange) are as follows:

Cash and cash equivalents:

	For six months ended 30 June		Change
	2009	2008	
	<i>RMB'000</i>	<i>RMB'000</i>	
Cash from/(used in)			
Operating activities	(909,368)	(221,231)	311%
Investing activities	(95,583)	(46,181)	107%
Financing activities	333,636	183,958	81%
Decrease of cash and cash equivalents	(671,315)	(83,454)	

Cash flow used in operating activities

The net cash outflow from operating activities amounted to 909 million (2008: 221 million) in this first half of this year, representing an increase of 688 million. The outflow was mainly attributable to the significant increase in purchases for material logistics business.

Cash flow used in investing activities

The net cash used in investing activities of the Group as of 30 June 2009 amounted to 95.583 million, mainly including (i) the investment in asphalt warehouse of material logistics services of 44.733 million; (ii) the enhancement and repair project in the amount of 16.944 million and construction of service zone in the amount of 16.119 million; (iii) acquisition of vehicles amounted to 9.77 million.

Cash flow from financing activities

The net cash flow from principal financing activities of the Group as of 30 June 2009 mainly attributable to the increase of short-term bank borrowings

Borrowings

The outstanding bank borrowings of the Group as at 30 June 2009 amounted to 560 million (As of 30 June 2008: 280 million), all of which were unsecured short-term bank borrowing, representing an increase of 280 million as compared to the balance as at 30 June 2008. This was mainly attributable to the increase in the demand for capital as a result of increased purchase by the Group for material logistics business. As at 30 June 2009, the Group had unutilised bank facility of 2,930 million.

Acquisitions

As of 30 June 2009, the Group has no acquisitions pending for completion.

Post balance sheet date events

Nil

Foreign exchange risk and hedging

Most of the revenue and expenditure of the Group are settled or denominated in RMB, except for the revenue and expenditure that relate to cross-border transportation services. In the first half of 2009, the working capital and liquidity of the Group were slightly affected by the fluctuations in currency exchange rate. The Directors believe that the Group will have sufficient foreign currency to meet its demand. Meanwhile, the Group will continue to pay close attention to the currency fluctuations of RMB, and based on its operating needs will adopt proper measures to reduce the currency risk exposures of the Group.

Contingent liabilities

As at 30 June 2009, the Group had no material contingent liabilities.

OTHER INFORMATION

AUDIT COMMITTEE

The Company has established an audit committee in compliance with the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules (the “Corporate Governance Code”). The primary duties of the audit committee include review of financial information of the Company, oversight of the Company’s financial controls, internal control and risk procedures, and liaising on behalf of the directors of the Company with external auditors.

As at 30 June 2009, the audit committee consisted of two independent non-executive Directors, Mr. Peng Xiaolei and Mr. Liu Shaobuo, and one non-executive Director, Mr. Cao Xiaofeng. The audit committee of the Company reviewed the unaudited consolidated interim results of the Company for the six months ended 30 June 2009. The auditor of the Company, PricewaterhouseCoopers, also reviewed the unaudited consolidated interim results for the period in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants.

REMUNERATION COMMITTEE

The Company has established a remuneration committee in compliance with the Corporate Governance Code. The primary duties of the remuneration committee is to determine the policies in relation to human resources management, review the compensation strategies, determine the remuneration package of senior executives and managers of the Group, recommend and establish annual and long-term performance criteria and targets, and review and supervise the implementation of all executive compensation packages and employee benefit plans.

As at 30 June 2009, the remuneration committee consisted of three members, namely, Mr. Wang Weibing, an executive director of the Company, and Mr. Gui Shaoping and Mr. Liu Shaobuo, both independent non-executive Directors.

SUPERVISORY COMMITTEE

The Company has established a supervisory committee. The primary duty of the supervisory committee is to supervise the Board, the directors of the Company (the “Directors”) and senior management of the Company in order to safeguard the interest of the Shareholders.

As at 30 June 2009, the supervisory committee consisted of seven members, two of which were independent supervisors of the Company (the “Supervisors”), namely Zhou Jie De and Cheng Zhuo, two of them were shareholder supervisors, namely Chen Chu Xuan and Xiao Li and three of which were Supervisors representing the staff of the Group, namely Rao Feng Sheng, Li Hui and Fan Xin Cai.

CORPORATE GOVERNANCE

The Company is committed to maintain high standards of corporate governance in the Group and the Board considers that effective corporate governance is crucial to the success of a company and to enhance shareholder's value.

None of the Directors was aware of any information that would reasonably indicate that the Company did not meet the applicable code provisions as set out in the Corporate Governance Code during the six months ended 30 June 2009.

EMPLOYEES AND REMUNERATION POLICIES

The Group had 3,635 employees as at 30 June 2009. Total staff cost for the Group for the six months ended 30 June 2009, including remuneration of the Directors, amounted to 99.19 million.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2009.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code set out in Appendix 10 to the Listing Rules as its own code of conduct ("Code of Conduct") regarding the securities transactions of the Directors and Supervisors, on terms no less exacting than the required standard set out in the Model Code. Having made specific enquiry of all Directors and Supervisors, each of the Directors and Supervisors confirmed that they complied with the required standard set out in the Model Code and the Code of Conduct for the six months ended 30 June 2009.

PURCHASE, SALE OR REDEMPTION OF LISTED SHARES OF THE COMPANY

The Company and its subsidiaries have not purchased, sold or redeemed any of the listed shares of the Company during the six months ended 30 June 2009.

INTERIM REPORT FOR THE SIX MONTHS ENDED 30 JUNE 2008

An interim report for the six months ended 30 June 2009 containing all the information required by Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited will be despatched to shareholders and published on the website of The Hong Kong Stock Exchange and Clearing Limited in due course.

By order of the Board of
Guangdong Nan Yue Logistics Company Limited
Lu Maohao
Chairman of the Board

Guangzhou, the People's Republic of China
17 September 2009

As at the date of this notice, the Board comprises of Mr. Lu Maohao, Mr. Su Yongdong, Mr. Wang Weibing, Mr. Deng Chongzheng and Mr. Zeng Gangqiang as executive directors of the Company, Mr. Zheng Renfa, Mr. Lu Yaxing, Mr. Cai Xiaojun, Mr. Chen Guozhang and Mr. Cao Xiaofeng as non-executive directors of the Company, and Mr. Gui Shouping, Mr. Liu Shaobo and Mr. Peng Xiaolei as independent non-executive directors of the Company.

* *The Company is registered as a non-Hong Kong company under Part XI of the Companies Ordinance (Chapter 32 of the laws of Hong Kong) under its Chinese name “廣東南粵物流股份有限公司 and English name “Guangdong Nan Yue Logistics Company Limited”.*